

# Large Chains Drive Thailand's Retail Food Sector



Since imported foods can make up as much as 30 percent of their inventory, the big food retail chains of Thailand—supermarkets, superstores and hypermarkets—are best bets for U.S. exporters seeking to enter this market.

In 2001, this sector, dominated by European and Japanese giants, expected to garner 45 percent of food retail sales, amounting to \$7.3 billion.

Thailand's traditional markets, which account for half of retail food sales, offer limited prospects for U.S. products. Their customers prefer time-honored domestic foods.

Even with somewhat sluggish economic conditions in the country, food retail sales grew by 5 percent in 2000 and 2001. Continuing recovery from international financial crises promises an upswing in the economy that will spur growth in retail sales.

## Large Store Profile

Most of the larger stores in Thailand—hypermarkets and discount stores—have their own distribution centers, reducing dependence on outside distributors. They have developed house brands for ready-to-eat and ready-to-cook foods, including bakery items, TV dinners, sausages, bottled water, cooking oil, rice, sauces, cereals, dairy products and fruit juices.

### Stores by the Number in 2001

Supermarkets: 170  
Convenience stores and gas marts: 5,750  
Hypermarkets and discount stores: 80  
Traditional groceries: 270,000  
Wet markets: 564,000

## U.S. Products That Sell

A host of U.S. products are doing well in Thailand:

- Spices, seasonings, corn oil, mayonnaise, peanut butter, sauces, pickles, jams, jellies, syrups and vinegar
- Snack foods such as chips and dips
- Fresh and frozen seafood (lobster, crab, crawfish and other fish)
- Beer, wines and whiskey
- Biscuits, cookies, pancakes, muffins, cake and pancakes mixes
- Cereals
- Canned fruits, vegetables, pie fillings and soups
- Candy, chocolate and chocolate milk mix
- Carbonated beverages and instant coffee
- Red meats such as corned beef
- Turkey
- Dairy products such as milk powder, cheeses (cheese spreads, cream cheese, cheese sticks, cheese dip) whipped cream, sour cream and ice cream
- Fresh fruits (apples, grapes, cherries, plums, peaches and nectarines)
- Preserved or dried fruits
- Fruit juices (apple, prune, orange, grape and sparkling white grape)
- Ready-to-eat dishes such as macaroni and cheese
- Nuts (peanuts, walnuts, hazelnuts and macadamia nuts)
- Microwave popcorn
- Rice (paddy, long and short grains)
- Pet food

These stores often have fast-food outlets and other restaurants, kiosks, laundries, florists, bookstores, photography stores and movie rental stores.

Though fewer in number than other food retailers, hypermarket and discount store chains are the fastest growing retail food sector in Thailand, adding 100,000 square meters of new retail space in the first half of 2001, up over 40 percent from the same period a year earlier. Space expansion for the year was projected at 20 percent.

The two largest hypermarket chains—Big C and Tesco Lotus—accounted for 95 percent of this expansion. At least 10 more hypermarkets and discount stores are planned for 2002. Most of this new growth is on the outskirts of Bangkok and in other urban areas of the larger provinces.

Besides lower prices and product variety, the increasing popularity of these big stores can be attributed to prime locations, ample parking, attractive displays and product freshness.

Exporters should be aware that many large chains in Thailand charge listing fees

or listing allowances for new products, in accordance with a preset formula.

## Supermarkets Partner To Survive

Faced with fierce competition from larger stores, supermarkets are seeking new alliances to attract more customers. For example, CRC Ahold provides dry groceries to Jiffy convenience stores at 120 Jet service stations.

In 2000-2001, supermarkets expanded their space about 5 percent. Tops, the largest supermarket chain, added three outlets, while Food Lion opened three stores.

## Convenience Stores and ASEAN

U.S. food imports in Thailand's convenience stores have decreased over time, due to the Association of South East Asian Nations (ASEAN) Free Trade Area.

Though convenience stores do not sell many U.S. imports, regionally produced U.S. snack brands have become best sellers.

Preferential tariffs for ASEAN members opened the door for U.S. investors to shift manufacturing bases from the United

## THE BIG RETAIL FOOD CHAINS ARE EXPECTED TO GARNER 45 PERCENT OF FOOD RETAIL SALES.

States to Thailand and other ASEAN countries such as Indonesia and Malaysia. Lower labor and transportation costs and the relative value of regional currencies vs. the U.S. dollar in the recent past contributed to the competitive advantages relocation afforded these companies.

Convenience stores experienced a 6-percent growth in sales in 2001. The largest convenience store chain, CP 7-Eleven, maintained its growth rate of 200 new stores a year, adding to its existing 1,850 outlets, with a target of 2,000 stores nationwide by the end of this year. Its closest competitor, Siam Family Mart, added 70 outlets in 2001, bringing its total to 170.

Most of the gas stations in Thailand also operate convenience stores or gas marts. The market leader, CP 7-Eleven, experienced 10-percent growth in 2001, due to fast expansion and the purchasing power of younger Thai consumers.

Some convenience chains are introducing Western-style fast-food outlets. But except for liquor, most products sold in these stores are produced locally.

### Direct Contact Best

With \$630 million in agricultural, fish and forest product sales in 2001, U.S. exporters had 15 percent of Thailand's food import market. For best results, prospective exporters should initially contact importers and distributors for retailers, and representatives of large chains that import directly.

The large chains include supermarkets, discount stores, hypermarkets, and convenience stores. Though limited as import outlets now, the convenience, gas mart and kiosk chains offer potential for new products not produced locally.

Imported foods tend to do well in Bangkok and other major cities, especially

### Take Advantage of Thailand's Growing Import Market

Pros	Cons
About 9.5 million Thais can afford imported foods and appreciate U.S. brands and quality.	Depreciation of the Thai baht and other regional currencies, relatively higher freight costs, plus high oil prices have made U.S. products pricier than imported foods from other countries.
Thais view U.S. products as safe.	Local manufacturers have an inside track on tailoring products, tastes and packaging to consumer preferences at lower cost.
The growing retail industry is looking for new imported food products.	Importers and retailers need training in purchasing and handling U.S. food products.
High-quality, U.S.-style foods are not presently produced in Thailand.	Thais prefer good quality food, but are price conscious.
Many U.S. quality products are available.	Thai "green" organizations have generated adverse publicity about products derived from biotechnology.
There is a strong potential for niche markets with good pricing.	Only certain consumer groups have a taste for U.S. brands; most prefer Thai culinary products.
Consumers in Bangkok and other major cities have become less traditional.	More variety in imported foods is increasing competition from third country suppliers.

in more affluent urban neighborhoods, where expatriates live, and in areas visited by tourists.

U.S. suppliers must also consider effective pricing, shelf life and customer preferences.

### Local Competition

Domestic products will continue to play a major role in the Thai market because many of the country's 62 million people still shop at traditional wet markets and mom-'n'-pop independent groceries. Though wet markets in urban areas still claim a significant market share, their sales are gradually declining due to expansion of chains, growing consumer affluence and increased exposure to Western foods.

### Import Tidbits

Thai food imports were projected to increase 12 percent in 2001, despite the baht devaluation and high oil prices.

The Thai government uses high import taxes and a less than fully transparent ap-

proval process to protect local businesses, but the Thai food and drug agency has shortened the food registration process for some imports. Select foods may only require two weeks instead of the usual four-to six-month wait for clearance. Products that can bypass the longer process are fresh fruits, seasonings, sauces, beer, fresh and frozen seafood and biscuits. ■

*For information or assistance in exporting to this market, contact the FAS Office of Agricultural Affairs at the U.S. Embassy, Bangkok, Thailand. Tel.: (011-66-2) 205-5106; Fax: (011-66-2) 255-2907; E-mail: agbangkok@ksc11.th.com*

For details, see FAS Report TH1129. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

